azimut

AZIMUT GLOBAL VIEW

12.05.25

Main Events

US CPI
Another positive reading, following last month's unexpected decline, would heighten pressure on the Fed to consider a preemptive rate cut
13.05

US RETAIL SALES
After March's stellar figure, a slowdown is expected. The depth of this slowdown will help gauge the real impact of Trump's policies on US consumers
15.05

JAPAN GDP
The Japanese economy may have contracted in the first quarter of the year
16.05

GLOBAL PMI
Over a month since "Liberation Day," PMI data offers a clearer, more objective read on tariff impacts
22.05

Azimut Global Network

- Milan
- Abu Dhabi
- Austin
- Cairo
- Dubai
- Dublin
- Estoril
- Geneva
- Hong Kong
- Istanbul
- Lugano
- Luxembourg
- Mexico City
- Miami
- Monaco
- New York
- Rabat
- Santiago
- São Paulo
- Shanghai
- Singapore
- St Louis
- Sydney
- Taipei

Developed Markets : 2025.Q1 Earnings Season Monitor

- **Q1 EPS continues to trend higher, supported by solid beats, although growth is moderating compared to Q4 2024. Stock reactions have generally been weak, suggesting that investor expectations remained elevated despite earlier downward revisions**
- **Big tech companies reported strong EPS growth, easing concerns about a potential slowdown in AI investments. In Europe, results were broadly in line with expectations, though uncertainty continues to weigh on the region's economic outlook**
- **FY25 earnings estimates are still being revised lower, particularly in Europe, with sentiment dampened by foreign exchange volatility, tariffs, and a worsening macroeconomic backdrop**

At the time of this writing, over 70% of developed markets companies have reported their Q1 results.

In summary, Q1 EPS continues to trend higher, supported by solid beats, although growth is moderating compared to Q4 2024. Margins remain resilient, but Cyclicals have weighed on performance in Europe. Despite ongoing downward revisions to full-year EPS estimates amid soft guidance, equities are broadly rallying on renewed optimism around trade deals.

United States (S&P 500)
For the January–March quarter, U.S. companies reported a 4% increase in sales and a 12% rise in EPS. Notably, only 50% of companies beat sales estimates—below the long-term average of 60%—with Materials, Industrials, and Staples posting negative top-line growth. Overall sales surprises stood at just 1%, with Energy leading at 3%.

On the earnings side, 77% of companies exceeded consensus EPS estimates, slightly above historical norms. The bulk of earnings growth this quarter has been being driven by Healthcare and Communication Services, while Discretionary, Technology, and Utilities have also posted have recorded recording negative earnings growth.

As in Q4, U.S. stocks are not experiencing the typical price appreciation following earnings beats. Companies surpassing expectations are underperforming on the day, while those missing are being penalized as much-if not more than- historical averages. This suggests that elevated investor expectations are influencing post-earnings price reactions.

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S&P: Q1 2025 summary (source: J.P. Morgan)

	No. of cos reported / Total	% reported	% cos beating EPS estimates	% cos Missing EPS estimates	EPS surprise	%yoy EPS growth	% cos beating Sales estimates	% cos Missing Sales estimates	Sales surprise	%yoy Sales growth
S&P500	**422 / 499**	**85%**	**77%**	**19%**	**9%**	**12%**	**50%**	**29%**	**1%**	**4%**
Energy	23 / 23	100%	59%	32%	2%	-13%	61%	39%	3%	1%
Materials	26 / 26	100%	77%	19%	8%	-14%	38%	35%	1%	-2%
Industrials	72 / 77	94%	83%	13%	8%	9%	49%	32%	0%	-1%
Discretionary	35 / 51	69%	57%	40%	10%	14%	34%	51%	0%	3%
Staples	25 / 38	66%	76%	24%	4%	-7%	36%	44%	-2%	-2%
Healthcare	52 / 60	87%	88%	8%	9%	46%	58%	21%	2%	8%
Financials	72 / 73	99%	77%	20%	5%	4%	37%	37%	-1%	2%
IT	45 / 69	65%	87%	11%	6%	12%	67%	7%	2%	9%
Com. Services	15 / 20	75%	87%	13%	24%	30%	47%	20%	1%	6%
Utilities	28 / 31	90%	57%	32%	4%	16%	79%	21%	5%	11%
Real Estate	29 / 31	94%	76%	17%	-1%	-1%	59%	10%	1%	5%
Ex-Financials & Real Estate	**321 / 395**	**81%**	**77%**	**19%**	**10%**	**16%**	**53%**	**29%**	**1%**	**4%**
Ex-Energy	**399 / 476**	**84%**	**78%**	**18%**	**9%**	**14%**	**50%**	**28%**	**1%**	**4%**
Cyclicals	**178 / 223**	**80%**	**78%**	**19%**	**7%**	**10%**	**49%**	**30%**	**1%**	**3%**
Defensives	**120 / 149**	**81%**	**78%**	**18%**	**13%**	**28%**	**57%**	**26%**	**1%**	**6%**

Big Tech
With the exception of Nvidia, which is scheduled to report on May 28th, all major U.S. technology companies have released their Q1 results. Below is a summary of key earnings highlights from the sector.

Alphabet posted a strong quarter. Search advertising revenues beat consensus by 1%, and Network ads surprised positively by 2%, while YouTube ads came in line with expectations. Cloud revenue grew 28% year-over-year— slightly below Q4's 30%—and Capex rose to $17.2 billion, ahead of estimates. Operating margins expanded meaningfully, and the company authorized an additional $70 billion in share repurchases.

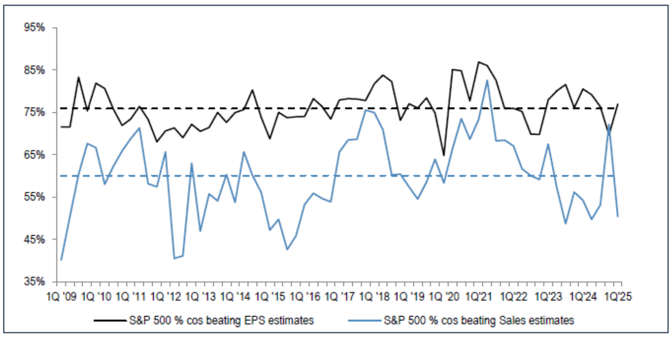
Meta delivered robust Q1 results, exceeding the high end of its guidance range, with a Q2 outlook well ahead of Street expectations. Advertising revenue rose 20% on an FX-neutral basis, supported primarily by strong e-commerce activity in both North America and Rest of World. Capex guidance was raised by 9% at the midpoint.

Microsoft reported strong fiscal Q3 results, with revenue up 13.3% year-over-year to $70.1 billion—beating consensus by 1–2%. Non-GAAP operating margins expanded to 45.7%, exceeding expectations by 150 basis points. Azure grew 35% YoY in constant currency, with AI services contributing 16 percentage points—well ahead of guidance and Street forecasts.

Amazon beat on both revenue ($155.7B vs. $155.1B expected) and profit ($18.4B vs. $17.5B), supported by strong margins and a healthy backlog, despite higher inventory costs. AWS growth was broadly in line, and management noted minimal direct impact from tariffs so far.

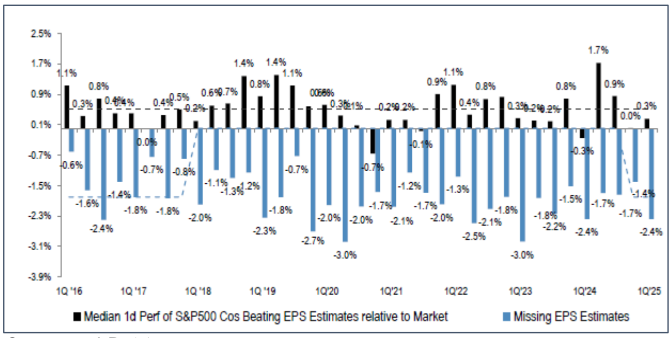
Apple reported inline fiscal Q2 results but withheld formal guidance for fiscal Q3. The company cited a $900 million tariff-related headwind for the upcoming quarter. Gross margin guidance of 46% implies a 26 basis point year-over-year contraction—the first such decline in nine quarters.

S&P: % of companies beating quarterly EPS / SALES



Source: J.P. Morgan

S&P: price reaction to beats and misses



Source: J.P. Morgan

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STOXX 600: Q1 2025 summary (source: J.P. Morgan)

	No. of cos reported / Total	% reported	% cos beating EPS estimates	% cos Missing EPS estimates	EPS surprise	%yoy EPS growth	% cos beating Sales estimates	% cos Missing Sales estimates	Sales surprise	%yoy Sales growth
Stoxx600	**298 / 431**	**69%**	**61%**	**39%**	**4%**	**-3%**	**46%**	**37%**	**0%**	**2%**
Energy	16 / 21	76%	33%	67%	-2%	-28%	50%	50%	-1%	-5%
Materials	26 / 36	72%	55%	45%	6%	1%	38%	35%	0%	2%
Industrials	69 / 92	75%	55%	45%	1%	8%	45%	39%	1%	7%
Discretionary	30 / 44	68%	24%	76%	-5%	-26%	36%	54%	-2%	-1%
Staples	23 / 32	72%	50%	50%	5%	2%	27%	45%	-5%	4%
Healthcare	29 / 44	66%	87%	13%	8%	12%	62%	31%	1%	6%
Financials	54 / 79	68%	83%	17%	7%	5%	76%	10%	2%	5%
IT	18 / 22	82%	69%	31%	4%	11%	22%	44%	-1%	6%
Com. Services	14 / 25	56%	38%	63%	-3%	19%	23%	38%	0%	-8%
Utilities	9 / 19	47%	83%	17%	13%	13%	33%	67%	2%	1%
Real Estate	10 / 17	59%	50%	50%	13%	4%	33%	67%	-3%	-1%
Ex-Financials & Real Estate	**234 / 335**	**70%**	**55%**	**45%**	**2%**	**-7%**	**40%**	**42%**	**-1%**	**1%**
Ex-Energy	**282 / 410**	**69%**	**64%**	**37%**	**5%**	**3%**	**46%**	**36%**	**0%**	**3%**
Cyclicals	**143 / 194**	**74%**	**52%**	**48%**	**0%**	**-5%**	**39%**	**42%**	**0%**	**3%**
Defensives	**75 / 120**	**63%**	**70%**	**30%**	**8%**	**11%**	**41%**	**41%**	**-2%**	**3%**

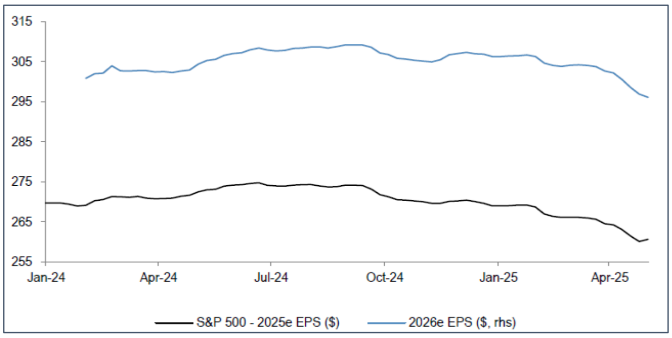
Europe (Stoxx 600)
Uncertainty continues to cloud the outlook for the European economy. While manufacturing PMIs—particularly in Germany—are showing tentative signs of bottoming, consumer and business confidence remain under pressure, partly due to renewed tariff measures imposed by the U.S

Against this backdrop, STOXX 600 companies reported 2% revenue growth in Q1, exactly in line with expectations. Top-line misses in Consumer Staples and Discretionary were more than offset by stronger-than-expected results in Industrials, Healthcare, and Financials.

Overall net income declined by 3%, but earnings surprised to the upside with a 4% positive EPS surprise. Materials, Staples, and Financials all delivered mid- to high-single-digit earnings beats, reflecting pockets of resilience despite macroeconomic headwinds.

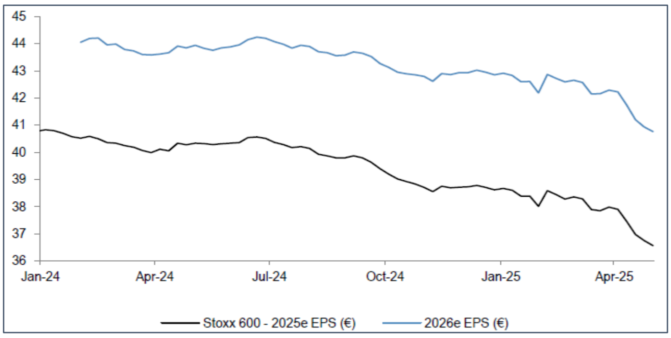
Looking ahead, FY25 earnings estimates continue to be revised sharply lower, with consensus expectations now down to just 3% for Europe. Tariffs and foreign exchange volatility remain key headwinds for Cyclicals and Exporters, while Defensives and domestically oriented names are proving more resilient. Despite the softer outlook, equities have broadly rallied on Q1 earnings, with the "hope trade"—driven by expectations of policy support, rate cuts, or strategic deals—running at full steam.

S&P: 2025 and 2026 EPS estimates evolution



Source: J.P. Morgan

STOXX 600: 2025 and 2026 EPS estimates evolution



Source: J.P. Morgan

JAPAN (Topix)
Japanese companies modestly outperformed expectations in Q1, with revenues coming in 1% above consensus and EPS delivering a 2% beat. However, overall earnings declined by 3% year-over-year. On the top line, Consumer Staples, Financials, and Healthcare outpaced expectations. In terms of earnings, only Utilities, Real Estate, and Healthcare managed to exceed EPS consensus for the quarter, highlighting a relatively narrow base of outperformance across sectors.

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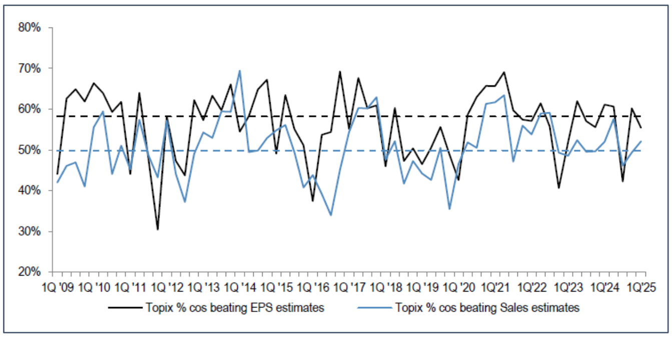
STOXX 600: Q1 2025 summary (source: J.P. Morgan)

	No. of cos reported / Total	% reported	% cos beating EPS estimates	% cos Missing EPS estimates	EPS surprise	%yoy EPS growth	% cos beating Sales estimates	% cos Missing Sales estimates	Sales surprise	%yoy Sales growth
Topix	**490 / 1682**	**29%**	**55%**	**45%**	**2%**	**-3%**	**52%**	**38%**	**1%**	**6%**
Energy	2 / 15	13%	-	-	-	-	-	-	-	-
Materials	35 / 161	22%	40%	60%	-37%	-17%	40%	44%	1%	4%
Industrials	135 / 457	30%	60%	40%	6%	9%	45%	45%	-1%	5%
Discretionary	97 / 293	33%	52%	48%	-10%	-23%	58%	34%	2%	9%
Staples	52 / 148	35%	60%	40%	-	15%	54%	23%	3%	6%
Healthcare	25 / 88	28%	67%	33%	22%	48%	55%	41%	3%	12%
Financials	28 / 125	22%	20%	80%	-8%	-4%	27%	55%	2%	3%
IT	76 / 253	30%	48%	52%	-1%	-5%	55%	40%	2%	5%
Com. Services	15 / 82	18%	50%	50%	-	-20%	50%	33%	3%	9%
Utilities	15 / 23	65%	70%	30%	115%	-2%	75%	25%	-1%	5%
Real Estate	10 / 37	27%	67%	33%	37%	7%	71%	29%	6%	6%
Ex-Financials & Real Estate	**452 / 1520**	**30%**	**56%**	**44%**	**2%**	**-3%**	**53%**	**38%**	**1%**	**6%**
Ex-Energy	**488 / 1667**	**29%**	**55%**	**45%**	**2%**	**-3%**	**52%**	**38%**	**1%**	**6%**
Cyclicals	**343 / 1164**	**29%**	**53%**	**47%**	**-3%**	**-6%**	**51%**	**40%**	**0%**	**6%**
Defensives	**107 / 341**	**31%**	**63%**	**37%**	**28%**	**19%**	**57%**	**31%**	**2%**	**6%**

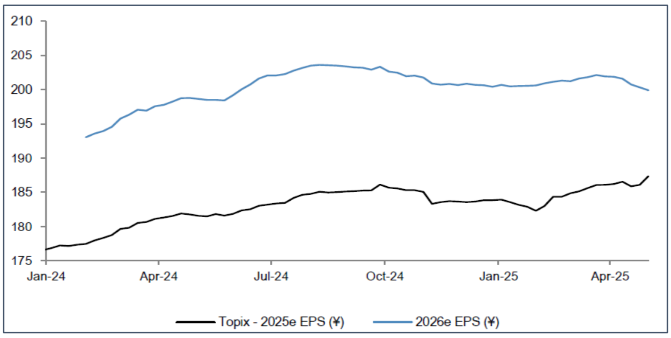
Looking ahead, Japan is expected to post strong corporate earnings growth, with double-digit EPS expansion projected for the current fiscal year and high single-digit growth anticipated for the next.

TOPIX: % of companies beating quarterly EPS / SALES



Source: J.P. Morgan

TOPIX: 2025 and 2026 EPS estimates



Source: J.P. Morgan

Transcript Analysis, Capital return and Guidance

Earnings call transcripts for Q1 2025 reveal a further softening in corporate sentiment, particularly around forward-looking indicators. While shareholder return policies remain robust—dividends (96%) and buybacks (78%) continue to receive overwhelmingly positive mentions—other themes reflect growing caution. Optimism around artificial intelligence (66%) remains high, though slightly below Q4 levels. Meanwhile, margins (53% positive) and demand (45% positive) show some resilience.

However, negative sentiment is rising around key macro risks: foreign exchange volatility (53% negative), tariffs (33% negative), and a deteriorating economic outlook (43% negative). According to Barclays, guidance commentary is particularly weak—only 4% of mentions were positive—marking the most negative tone since the onset of COVID. The share of companies issuing neutral or non-committal guidance has increased sharply, with many citing macro uncertainty, capex slowdowns, and geopolitical tensions.

Transcripts takeaways

Q1 2025	Positive	Neutral	Negative
Economy	4%	53%	43%
China	33%	24%	43%
Inflation	27%	36%	36%
Dividends	96%	4%	0%
Buybacks	78%	13%	9%
Guidance/Outlook	4%	84%	13%
Margins	53%	22%	25%
Capex	25%	48%	27%
Layoff	0%	42%	58%
Demand	45%	25%	30%
Artificial Intelligence	66%	34%	0%
Tariffs	2%	66%	33%
Inventory	25%	40%	35%
FX	26%	21%	53%

Source: Alphasense, Barclays research

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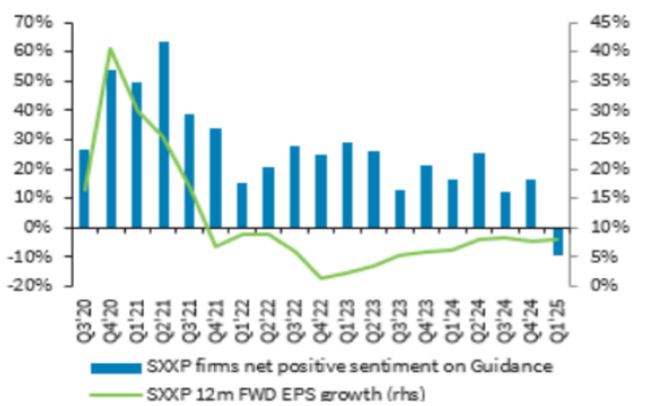
Mentions of capital expenditure remain relatively balanced overall, though a growing proportion (27%) reflect concern. Meanwhile, inflation and China continue to divide sentiment, with both themes showing high levels of positive and negative commentary.

Despite recent market strength, the guidance tone has deteriorated further. As per AlphaSense and Barclays data, Q1 2025 marks the weakest net positive guidance sentiment since the onset of COVID-19. The proportion of companies offering a constructive outlook has dropped meaningfully, aligning with the continued downward revision of FY EPS estimates.

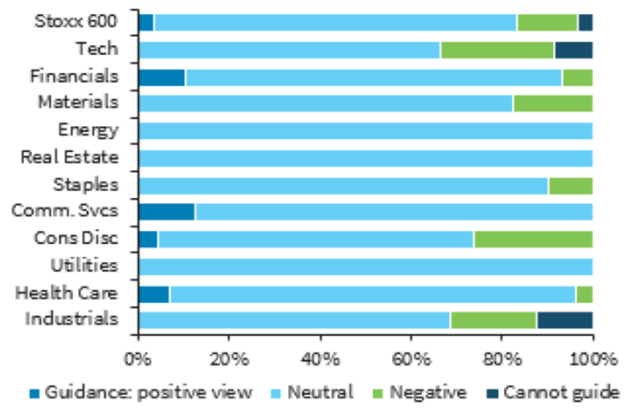
Sector-wise, discretionary, industrials, materials, and tech are showing the least positive guidance, reinforcing the notion that cyclicals are bearing the brunt of macro pressures. Financials and healthcare fare slightly better, while real estate and energy show mixed signals. The large share of companies issuing neutral or vague guidance reflects management teams' reluctance to commit under persistent uncertainty.

FIGURE 18. **Guidance most negative so far since covid**



Source: Alphasense, Barclays research

FIGURE 19. **Discretionary, Industrials, Materials and Tech have given the weakest guidance so far**



Source: Alphasense, Barclays research

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Asset Allocation View

	−	=	+
Equity			
Developed Markets		■	
Emerging Markets		■	
Fixed Income			
Developed Markets Sovereign		■	
Developed Markets Corporate			■
Emerging Markets		■	
Commodities		■	
Currencies	*Commentary below*		

− UNDER = NEUTRAL + OVER

Equity

Developed Markets

UNDER OVER
NEUTRAL

We have maintained our **Neutral** recommendation on Developed Market Equities. Following the announcement of a 90-day tariff truce between China and the U.S., equity markets may have further room to extend the current rally, driven by optimism that a workable resolution is within reach. However, with valuations returning to stretched levels amid a weakening macroeconomic backdrop, markets remain vulnerable to corrections—particularly if incoming hard data begins to disappoint.

US	=	**Europe**	=	**Japan**	−

Emerging Markets

UNDER OVER
NEUTRAL

We have maintained our **Neutral** recommendation on Emerging Market Equities. On one hand, the ceasefire between India and Pakistan, along with the trade truce between China and the U.S., could continue to support emerging markets in the near term. On the other hand, the full impact of tariffs on emerging market economies may take time to materialize. Given that these markets have largely recovered from their post-tariff declines, maintaining a neutral stance appears prudent at this stage.

Asia ex-Japan	=	**EEMEA**	−	**LATAM**	=

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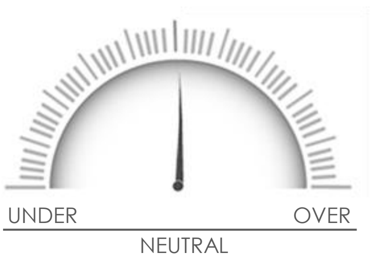
Fixed Income

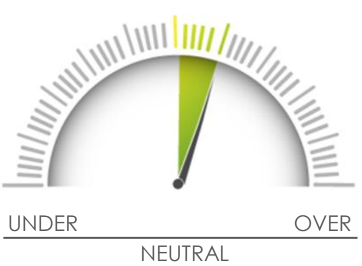
Developed Markets Sovereign



We have maintained our **Neutral** recommendation on Developed Markets Sovereign Bonds. The ongoing de-escalation between China and the U.S. may help avert the most adverse outcomes for the global economy, potentially easing pressure on central banks—particularly the Fed—to lower rates preemptively. Additionally, concerns over U.S. public finances are likely to continue weighing on the long end of the yield curve, especially if Trump's proposed "big beautiful bill" to make his first-term tax cuts permanent is not paired with meaningful reductions in public spending. In this context, we continue to favor the short end of the curve.

EU Core	=	EU Periphery	=	US Treasury	=	Japanese JGB	=

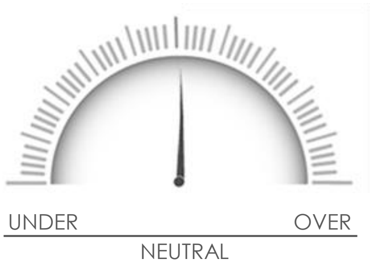
Developed Markets Corporate



We have maintained our **Slightly Overweight** recommendation on Developed Market Corporates. The recent easing of international trade tensions, along with a reduced likelihood of recession—especially if an agreement is reached between China and the United States—is likely to lead to a narrowing of credit spreads. In this environment, we continue to favor investment-grade bonds over high yield.

IG Europe	+	IG US	+	HY Europe	−	HY US	−

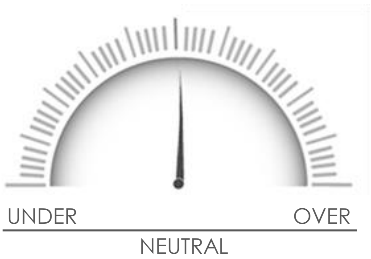
Emerging Markets



We have kept our **Neutral** recommendation for Emerging Market Bonds. The recent strength of emerging market currencies against the U.S. dollar, along with the narrowing of spreads on hard currency bonds—now back to pre-tariff levels—supports maintaining a neutral stance.

Local Currency	=	Hard Currency IG	=	Hard Currency HY	=

Commodities



We have maintained our **Neutral** recommendation on Commodities. Precious metals have begun a healthy correction, albeit limited for the time being. There are still some risks that the correction could extend, especially in light of easing tensions between China and the United States. However, we remain optimistic about gold in the medium term. Caution is still warranted on other commodities, pending greater clarity on the global economic outlook.

Precious	+	Energy	=	Industrial	=	Agricultural	=

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Currencies

The Committee has kept its **Neutral** recommendation on the U.S. Dollar. The dollar still has room to appreciate following progress in trade talks with China, but the upside appears limited given the Trump administration's clear desire to weaken the greenback.

The Committee has maintained its **Neutral** recommendation on the Euro as well. The euro has been one of the main beneficiaries of international investors' reallocation away from the US. Easing tensions between China and the US could lead to a reversal of these flows, with negative implications for the euro in the short term. Nevertheless, we remain positive on the single currency in the medium term.

We have upgraded our stance on the **Chinese Renminbi** to **Neutral**. The easing of trade tensions with the U.S., although still in a very early stage, could prompt international investors to reduce their underexposure to Chinese assets.

The outlook for other **emerging market currencies** remains as **Neutral**.

Euro	=	USD	=	CNY	=	Other EM	=

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